

GENERAL COUNSEL'S REPORT

August 28, 2013

- C. University of Tennessee Medical Center, Knoxville (Knox County), TN — CN1005-022A Request for an eighteen (18) month extension of the expiration date from October 1, 2013 to April 1, 2015:

This project was presented on August 25, 2010 for the construction of an addition to the existing surgery department to house thirteen (13) new operating rooms (ORs) and renovation of three (3) small ORs for a net addition of ten (10) ORs and one (1) endovascular suite with an estimated project cost of \$18,432,272. Ms. Burns moved for approval, Mr. Lammert seconded, the carried approved by unanimous vote 10-0.

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July 31, 2013

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, TN 37243

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RE: University of Tennessee Medical Center
CN1005-022A

Dear Ms. Hill:

The University of Tennessee Medical Center respectfully requests an 18 month extension on the above referenced certificate of need, from the current expiration date of October 1, 2013 to April 1, 2015. This is the first request for an extension for this project.

The certificate of need authorizes the construction of an addition to the surgical department consisting of approximately 28,000 square feet, and the renovation of approximately 12,000 square feet of existing space. The project will result in the addition of 10 new operating rooms and a new endoscopic suite.

Substantial progress has been made on this project. The new construction has been completed and is operational, and the extension request relates to the renovation phase of the project. Approximately 1,721 of the renovation work is also complete. So in total, the project is approximately 74% completed.

The justification for the extension is as follows. Upon completion of the new construction and prior to beginning the renovation stage, hospital administration determined it would be advantageous to apply "lean principles" to the design of this area. "Lean principals" are techniques developed by Toyota and others to enhance efficiencies in the work place or service environment. UTMC has used these techniques in other areas of the hospital, resulting in reduced waiting times, reduced errors, a decrease in patient falls and other enhancements in the delivery of health care services. In this case the lean team moved the decontamination area closer to the non-sanitary elevator to minimize steps by the staff and to minimize cross contamination possibilities. The staging of carts in and out of the process was also analyzed to utilize the space more effectively. This area could not be constructed until construction was completed in the main O. R. area, which freed up space for expansion of the sterile processing area. It took several months to analyze the processes in this area and lean them out, and then

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several months to redesign the space. The construction process is now more difficult and therefore longer than originally planned.

Some cost overrun is anticipated, but it should be well below the 10% threshold, and therefore a cost increase is not requested at this time. Although the changes described above will slightly increase the cost and required time on the front end, they will pay off in the long term with a more efficient and effective surgical department at UTMC.

Please place this request on the agenda for the August 2013 HSDA meeting. Representatives from UTMC will be present at the time. A check in the amount of \$3,621.00 representing the extension fee is submitted herewith. The amount of this fee is capped out by the \$45,000 maximum filing fee. Thank you for your assistance and consideration.

Sincerely yours,

STITES & HARBISON, PLLC



Jerry W. Taylor

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN1005-022A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: University Health System, Inc.
1924 Alcoa Highway
Knoxville, TN 37920

For: University of Tennessee Medical Center

This Certificate is issued for: The construction of an addition to the existing surgery facilities consisting of approximately 28,000 square feet of space to house thirteen (13) new operating rooms. The project also includes the renovation of approximately 12,000 square feet of existing space in the surgical facilities and a new endovascular suite in space currently housing three (3) small operating rooms and a storage space. This will result in a net addition of ten (10) operating rooms and one (1) endovascular suite. Major medical equipment to be acquired is a new endovascular lab and related equipment. The expansion project will be on the main campus. No new services will be initiated and no current services will be discontinued. This project does not involve any inpatient beds.

On the premises located at: 1924 Alcoa Highway
Knoxville (Knox County), TN 37920

For an estimated project cost of: \$18,432,272.00

The Expiration Date for this Certificate of Need is

October 1, 2013

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: August 25, 2010


Chairman

Date Issued: September 22, 2010


Executive Director